



CORPORATE PLAN 2001

2001/2 to 2005/6

CORPORATE PLAN 2001

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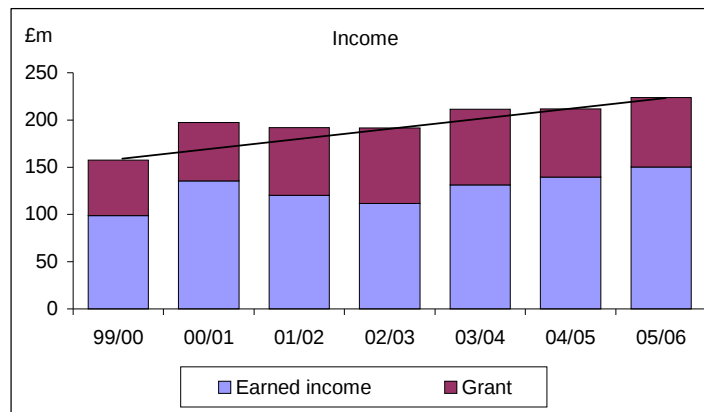
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1 Executive Summary

1.1 Key Performance Targets

Table 1.1 summarises the key performance targets for the 2001/02 budget and four plan years 2002/03 to 2005/06, actual performance for 1999/00 and budget and latest forecast for 2000/01.

The targets are challenging and although continuation of the growth experienced over the last two years is not forecast the trend in longer term growth is substantial as shown in the graph below which shows 8% nominal growth per annum.



Graph 1.1

There are external risks associated with achieving the plan, most significantly relating to developing the water grid, and our property portfolio, expanding our telecoms business and securing funding to continue waterway restorations at the planned level.

As such although these targets will form the basis of those presented in the DETR and Scottish Executive Funding Support Documents they will be moderated down to provide a contingency.

These estimates were also set before the outbreak of foot and mouth disease and may need to be revised when the full effects are known.

The targets shown are for the whole of British Waterways. Appendices 5 and 6 shows the performance targets split between England & Wales and Scotland.

		99/00	00/01	00/01	01/02	02/03	03/04	04/05	05/06
		Actual	Bud	F'cast	Bud		Plan		
Customer Service									
Percentage of waterway	Nav	93%	93%	93%	94%	-	-	-	99%
at or better than	Chan	67%	77%	77%	82%	-	-	-	95%
minimum standard	Env	90%	91%	91%	92%	-	-	-	95%
	Tpath	92%	96%	97%	97%	-	-	-	99%
Navigation Availability		-	95	95	85	85	90	90	95
Maintenance Arrears									
Safety Backlog (£m)		71.1	56.9	56.9	39.9	24.5	10.0	0	0
Statutory Arrears (baseline) (£m)		165.8	174.3	174.3	181.0	175.8	169.2	152.7	139.2
Maximising Value									
Trading income p.a. (£m)		98.7	135.5	135.6	120.3	111.5	131.3	139.7	150.2
Craft licence evasion rate		4.2%	3.5%	3.5%	3.0%	2.5%	2.2%	2.0%	2.0%
Value of savings (£m)		1.3	2.8	3.1	3.2	1.0	1.0	1.0	1.0

Table 1.1

1.1.1 Safety backlog and statutory arrears

Our successes in generating additional income and being awarded more grant mean that we have been able to revise the targets set in previous plans for the elimination of both the safety backlog and statutory arrears. We now plan to eliminate the safety backlog by the end of 2004 and have set a baseline target for eliminating the statutory arrears by 2021.

We plan to improve the target for the elimination of statutory arrears to 2015. The achievement of this improved target is **dependent upon the success of the water grid joint venture which in turn is conditional on the receipt of £30m grant from the government.**

1.1.2 Customer satisfaction and Waterway standards

Increasing customer demands and competition within the leisure market will continue to drive improvements in all the services we provide. A failure to do this will result in reduced customer satisfaction and ultimately a decline in the use of the waterways. We will monitor customer satisfaction through customer surveys as well as through daily contact with customers and regular national and local user group forums. Works will then be planned which best meet our customers needs.

Waterway standards and the navigation availability index are two key measures of customer service. Our waterway standards targets remain consistent with previous plans with the biggest improvements planned for channel standard. In last year's plan we stated that we would spend an additional £2m per annum for five years on dredging to improve the

percentage of waterways that comply with the minimum standard from 67% to 95%. We will complete the first year of this programme in 2000/01 to bring the percentage of waterways compliant with minimum channel standards to 77%.

Our navigation availability index which takes into account the length of waterway affected by a closure, time period, season and customer usage is planned to be around 85 in 2001/02 but increase to 95 by 2005/06 when major safety backlog works are completed.

1.1.3 Environment and Heritage

Looking after the environment and heritage of the waterways is one of our prime objectives. We will continue to ensure all work and the businesses we operate will be carried out in a way that respects the environment and heritage so that we promote the sustainable development of both waterways and British Waterways. Appropriate measures will be used to monitor all aspects of sustainable development.

We have recently updated our Environmental Code of Practice to reflect the latest standards and in the coming years we plan to extend our national framework for bio-diversity action plans to implement detailed bio-diversity action plans at waterways.

1.1.4 Efficiency and procurement savings

We plan to achieve greater efficiency and to measure this in two ways:

- reducing our overheads as a proportion of total expenditure, and
- achieving procurement savings.

More detail is provided in section 6.

1.2 Financial Overview

£m	99/00	00/01	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	Budget	F'cast	Budget		Plan		
Income								
Earned Income	47.4	59.3	62.4	65.2	71.1	81.3	84.7	89.7
Regeneration & Restoration	51.3	76.3	73.2	55.1	40.4	50.0	55.0	60.5
Trading Income	98.7	135.6	135.6	120.3	111.5	131.3	139.7	150.2
Grant	58.7	58.7	61.8	61.6	70.2	70.2	71.9	73.7
Grant - Water Grid (1)				10.0	10.0	10.0		
Total Grant	58.7	58.7	61.8	71.6	80.2	80.2	71.9	73.7
Total	157.4	194.3	197.4	191.9	191.7	211.5	211.6	223.9
Expenditure								
Navigation, Safety & Heritage	81.2	92.3	97.1	102.5	124.2	127.9	132.1	138.2
Costs of earned income	10.4	13.1	12.0	12.2	13.0	19.1	20.5	21.2
Regeneration & Restoration	65.4	88.8	88.3	67.2	44.5	54.5	59.0	64.5
Water grid Investment				10.0	10.0	10.0		
Total	157.0	194.2	197.4	191.9	191.7	211.5	211.6	223.9
Net Result	0.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Table 1.2

(1) Subject to Government Approval

The above table shows a summary of income and expenditure. A more detailed analysis is shown in Appendices 1 to 3.

1.2.1 Income

Earned income (excluding regeneration and restoration) is planned to increase steadily over the plan at an average annual rate of 8%. We have been particularly successful in 2000/01 and earned income (excluding regeneration and restoration) is forecast to increase by over 30%. This is largely due to a number of one off receipts including £2.8m backdated income from the re-negotiation of our agreement with BT for the use of our land for cable crossings and increased income from Bristol Water to help finance the repairs to Gloucester pumps. We also received the first full years income from Ipsaris which means that telecoms income is forecast to be £4m higher.

We are expecting total trading income including regeneration and restoration schemes to dip and to rise again towards the end of the plan. This is because 2000/01 has been an exceptional year for regeneration and restoration, as work on a number of major restoration schemes has

been carried out. These include the £78m Millennium link and £32m Huddersfield narrow canal projects. As these tranche 1 projects come to an end we expect a dip before the major tranche 2 projects get into full swing. The dip is rooted in the phasing of the creation and termination of major funding organisations like the RDAs and The Millennium Commission and explains the reduction in restoration income in 2002/03.

1.2.2 Grant

£m	99/00	00/01	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	Budget	F'cast	Budget		Plan		
Cash Grant received:								
DETR (baseline)	59.0	59.5	64.9	52.6	61.4	61.4	62.9	64.5
DETR (water grid)				10.0	10.0	10.0		
DETR (operational capital)						3.0	3.0	3.0
Scottish Executive				7.1	8.8	8.8	9.0	9.2
	59.0	59.5	64.9	69.7	80.2	83.2	74.9	76.7
Accrued grant 1 April	-3.2	-3.2	-3.2	-1.8	-3.2	-3.2	-3.2	-3.2
Accrued grant 31 March	3.2	3.2	1.8	3.2	3.2	3.2	3.2	3.2
	59.0	59.5	63.5	71.1	80.2	83.2	74.9	76.7
Allocated to deferred capital grant	-1.0	-1.6	-2.5	-0.5	-1.0	-4.0	-4.0	-4.0
Deferred capital grant released to P&L	0.7	0.8	0.8	1.0	1.0	1.0	1.0	1.0
Grant accrued in P&L a/c	58.7	58.7	61.8	71.6	80.2	80.2	71.9	73.7

Table 1.3

Table 1.3 shows how the cash grant we receive reconciles to the grant shown in the profit and loss account. The difference between the grant accrual at the 1 April and 31 March represents the amount of grant we plan to carry over from one year to the next. In 2000/01 we plan to carry over £1.4m.

Grant is agreed with our sponsoring government departments based on three year funding cycles although the first year of each three year cycle overlaps with the last year of the previous one. 2001/02 is the first year of the next three year funding cycle and grant from the DETR has been confirmed at the level previously agreed. For the following two years, grant from the DETR has been increased by £9m per annum.

Scotland Devolution

From 2001/02 grant will be received separately from the Scottish Executive for Scotland and from the DETR for England and Wales. We have assumed that grant from the Scottish Executive will be increased by £1.5m

from 2002/03 which is in-line with our requests and would represent a similar percentage increase to that announced by the DETR.

While grant from the DETR has been confirmed up to 2003/04 the Scottish Executive have not yet confirmed their grant funding beyond 2001/02. The original baseline grant for Scotland for 2001/02 was £6.3m and £6.5m each following year. We have consolidated into Scottish Executive grant £0.8m that has been received annually for specific works on the Caledonian Locks and requested additional grant of £1.4m for 2001/02 and £1.5m for 2002/03 and 2003/04. Indications are that we are unlikely to receive the additional grant in 2001/02 and as such the £1.4m has not been included in this plan.

Scotland will continue to be run as an integral part of British Waterways. This will mean that in some years taking the Scotland grant into account the Scotland net result will show as a deficit while in others it will be in surplus. These peaks and troughs will compensate for each other over a period of years. The Scotland five year financial plan, shown in appendix 3, shows these movements.

After 2003/04 we have assumed that grant from both DETR and the Scottish Executive will increase for inflation at a rate of 2.5% p.a.

Water Grid Investment Grant

As mentioned previously we require grant of £30m for investment in the water grid project for basic track repair and telemetry. We hope to receive this grant in three equal amounts of £10m per annum for each of the three years 2001/02 to 2003/04. We are hopeful of receiving these funds and are currently awaiting confirmation from the DETR that this funding will be made available. Final confirmation is likely in the autumn when negotiations with partners will be nearing completion.

Operational Capital Grant

Historically the grant we receive from the government covers both revenue and capital expenditure. Table 1.3 shows the amount of grant allocated to capital. Along with this grant the other funds we have available for capital expenditure is equal to the depreciation charge in the profit and loss account. Depreciation is a non-cash flow item and creates a cash surplus to fund capital expenditure.

Due to the more pressing need to spend funds in recent years on revenue items (maintenance backlog and statutory arrears) our investment in operational plant and equipment has suffered and much of our plant is drawing to the end of its useful life. Potentially this will lead to unreliability, high maintenance costs and a drop in efficiency. Also modern plant and

equipment will lead to improved productivity through new designs and technologies.

With the introduction of government resource accounting and budgeting we are able to make separate capital grant bids and intend to bid for £3m p.a. capital grant for investment in operational plant in our next 3 year funding bid which will cover the period 2003/04 to 2005/06.

1.2.3 Expenditure

Expenditure on ensuring the waterway network is safe and reliable will increase over the plan as we spend more on eliminating the safety backlog and statutory arrears.

The costs of earned income line in table 1.2 represents the costs associated with generating earned income (excluding regeneration and restoration). These costs increase to generate the increases in planned income.

Expenditure on regeneration and restoration exceeds income and the difference represents our contribution to these projects. This contribution is equivalent to the money we would otherwise have spent on our statutory obligations on the relevant waterways.

1.2.4 Risks and Opportunities

The achievement of this plan is dependent on the receipt of government grant, as detailed above, the development of new business ventures and the availability of funds for major restoration schemes. The success of new ventures including, water grid, telecoms and property will be dependent on market conditions and finding suitable partners. Specifically the current turmoil in the telecoms sector may have an effect.

The plan has been prepared on the basis that the problems caused by foot and mouth disease will be quickly resolved or managed so as not have a significant impact in 2001/02.

Opportunities may become available that allow us to exceed our plans including:

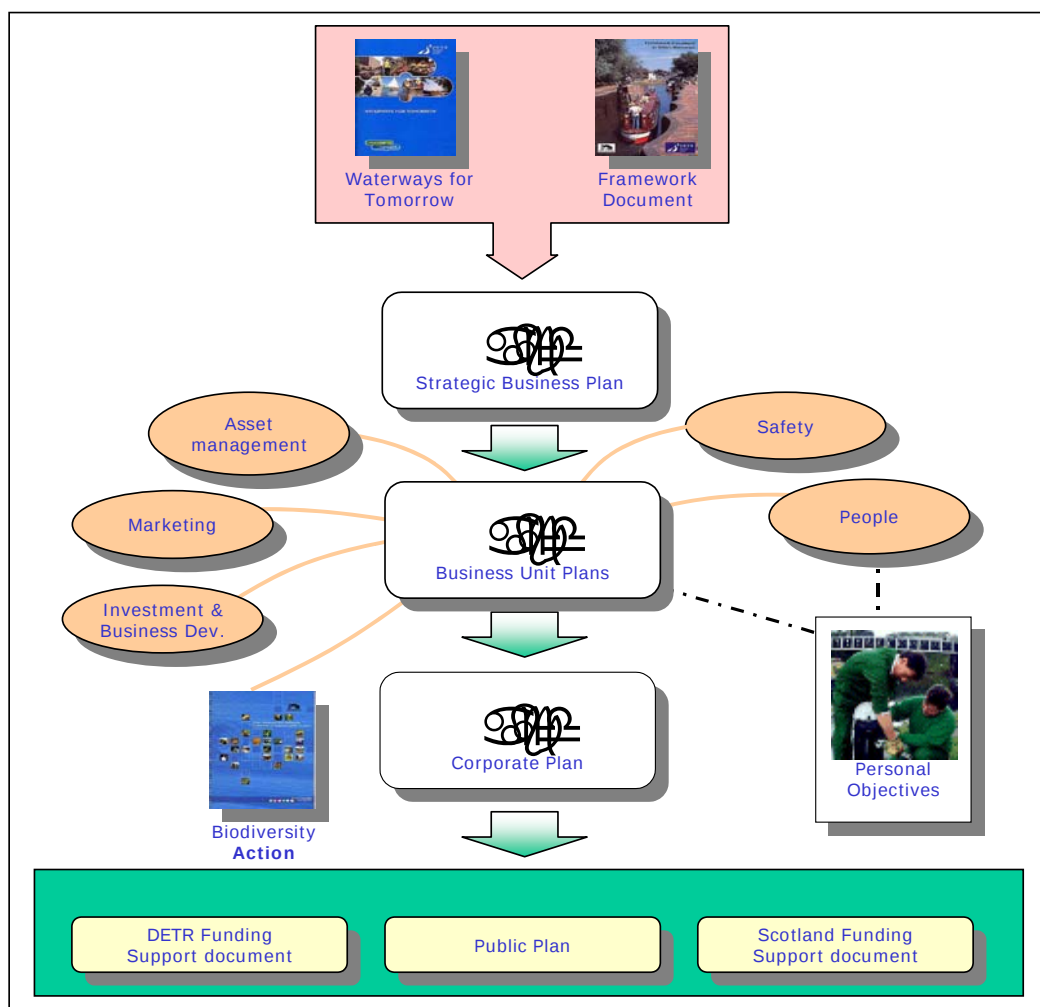
- A greater appetite by the RDAs for waterway related restorations than expected allowing us to progress restoration schemes at a faster pace.
- The settlement of the legal case with Severn Trent water allowing us to start to negotiate terms for water discharges into our waterways.
- Re-negotiation of utility omnibus agreements with gas and electricity companies may provide us with additional earned income.

Due to the uncertainty in the nature of these opportunities they have not been included in the financial plan.

2 Introduction

This Corporate Plan has been prepared within the framework of the Strategic Business Plan approved by the Board in November 2000 and following the review by Executive Directors of detailed business unit plans. The first year of the five year plan forms a summary of the budget for 2001/02. This plan will form the basis for our funding bids and agreement of performance targets with the Government.

The following diagram shows British Waterway's Business Planning Framework and how this Corporate Plan fits with government policy, our long term strategies, business unit plans and our staffs individual personal



objectives:

In preparing Business Unit Plans and this Corporate Plan we have considered the risks affecting the business. Plans have been made to reduce and manage the risks.

2.1 Aims and objectives

We are a non-profit making organisation with the over-riding aim of making the waterway network accessible for as wide as possible range of users whilst at the same time caring for and developing it so that we are able to pass it onto our successors in an improved state. We will do this by continuously meeting exemplary standards in terms of the natural environment and historical structures in our care.

Our specific aims and objectives as stated in the 'Framework Document for British Waterways' are to:

- Maintain and develop Britain's inland waterways in a sustainable manner so that they fulfil their full economic, social and environmental potential
- Operate and maintain our waterways to standards that reflect use and prospects of use and any land drainage requirements
- Conserve the waterways' heritage and environment for the future
- Promote and accommodate conservation and regeneration
- Maintain and enhance leisure, recreation, tourism and educational opportunities for the general public
- Facilitate waterway transport.

2.2 Vision

Our vision is for there to be a fully integrated and seamless network of waterways throughout Britain operated by BW, to provide maximum benefit and enjoyment to society.

We aim to achieve our vision and objectives by:

- Expanding and growing our business to become even more established and accepted as the UK's leading navigation authority thereby enabling us to offer a consistently excellent service across all waterways
- Benchmarking our success on a world-wide basis and setting ourselves the target of being accepted as truly world class
- Working in partnership with other public organisations as well as private and voluntary organisations to secure additional investment and to improve the management and operation of waterways
- Ensuring we have the knowledge and skills in house to create the policies and practices necessary to underpin an expanding business whilst at the same time enhancing the environment and heritage of the waterways
- Raising the profile of the waterways and of British Waterways

- Maximising contributions from all sources to invest and develop the waterways.

2.3 Business areas

Our strategy is to secure the long term reliability of our waterway network with additional earned income and government grant and then to further develop our businesses upon the secure network to increase income and contribution towards maintenance expenditure.

Our Marketing Strategy defined five 'customer groups' (government, public and quasi public bodies, business to business, consumer leisure and consumer fundraising) which will be critical for our success. In light of the inherent assets and skills within BW and the needs of these customer groups we have carefully selected business areas that will maximise the value of our waterways and enable us to unlock their full potential.

By exploiting our particular assets and skills we shall take full advantage of the growing demand for water, the dramatic growth of telecommunications and the increasing demand for waterside homes, all of which reflect basic continuing human needs. We are also in a uniquely favourable position to capitalise on the growing leisure market and increasing interest in the environment and heritage.

By focusing on these business areas we can transform what was once thought of as a liability into a highly valuable asset, to succeed in our role as guardians of the waterways.

The following table shows our business areas and the reasons that make them particularly attractive:

Business Areas	Attractiveness
Waterspace (Craft licences, moorings and Freight)	• Increasing number of visitors to waterways for leisure and recreation purposes • Greater environment awareness
Property (including commercial property regeneration)	• Waterside property more popular • Large number of Brownfield sites alongside canals awaiting property development and regeneration
Leisure & Environment (Attractions, retail)	• Ageing population with more money and time to spend on leisure • society more environmentally conscious • Increasing disposable income
Regeneration & Restoration (economic regeneration of canals e.g. Millennium Link)	• Huge social benefits to be achieved from regenerating run down areas and wide range of funding available • Restoration of historical assets provide valuable visitor attractions • European and UK Government now more focused on the sustainability of rural

	communities as well as urban • Provides a mechanism for us to expand our navigations and provide better facilities to customers
Telecoms (Ipsaris equity, masts)	• Fast electronic communications vital for businesses and individuals • Increasing importance of internet technology
Water transfer & sales (including water grid)	• Compensating changing weather patterns • Greater demand for water in the growing South East region • Government encouraging competition in the water industry

Table 2.1

The above business areas all use the same asset (i.e. the waterway and related property) but in different ways. We will balance our activities to ensure the waterway environment and heritage are enhanced for the benefit of users whilst focusing resources on the business areas where the greatest opportunities exist to maximise income and ensure the long-term sustainability of the waterways.

Section 4 details our plans for maintaining and operating the waterway network safely, and ensuring it is reliable and secure. This is essential not only because we have a statutory duty to do so but also because the success of each of the business areas shown in table 2.1 relies upon a sound network. The income generated from these business areas then helps to fund the sustainability of the waterways. Section 5 details our plans for each business area.

3 Customers

3.1 Managing Customer Demands

There are a wide range of customers who use our waterways in different ways. We will continue to manage their requirements and demands to ensure they are all satisfied. We plan to continue with the following initiatives to improve customer satisfaction:

- We will continue to develop a new national user group structure for consultation on national strategic issues.
- We will continue to work with the Fieldfare Trust to get as much of our canal towpaths certified as fully accessible for disabled and wheel chair users.
- We will manage works to maximise as far as possible the waterway availability (section 4.4) and ensure that all waterways are open to navigation over the summer and two week Christmas period.
- We will continue to work through AINA with other navigation authorities to identify where customer benefits can be achieved through joint licence arrangements and adoption of a common boat safety scheme.
- We plan to continue our out of hours call out service to support customers in difficulty.
- In 2001 we plan to review our waterway code material aimed at boaters to ensure it still meets their needs.
- Customer service provisions via the internet will continue to be developed. We already provide the facility to purchase craft licences online in Scotland and plan to extend internet procurement to other services.

3.2 Progress in 2000/01

Key initiatives 2000-1	Progress
Develop a new national Use Group structure for consultation on National strategic issues and encourage a wider cross section of customers/partners /local authorities to contribute.	Draft structure prepared and issued for public consultation.
Progress an application to renew the BW Charter Mark.	Our Charter Mark award was successfully renewed.
Work with the Fieldfare Trust to improve waterway access for all.	Specific towpath lengths have been approved by the Fieldfare Trust as fulfilling all their requirements.
Continue to work with the Environment Agency to develop the extension of the 'gold' licence.	Some 750 boaters have so far taken up the 'Gold' licence.

Table 3.1

The waterways are used by a wide range of different customer groups and it is this that adds to their vitality. We need to preserve that vitality and continue to encourage new and existing users to the waterways.

3.3 Monitoring Customer satisfaction

We currently monitor customer satisfaction in the following ways:

- feedback from local and national user group meetings
- carrying out formal surveys both nationally and site specific
- informal feedback.

During the next year we will investigate whether an amalgamated set of performance measures covering customer satisfaction can be used.

4 Safe, Reliable and Secure Waterway Network

The grant we receive from government is primarily to provide a safe, reliable and secure waterway network and to conserve the waterway heritage and environment. We also have duties relating to education and social inclusion and government grants help to finance this cost.

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Grant (excluding water grid)	58.7	61.8	61.6	70.2	70.2	71.9	73.7
Maintenance agreements	0.8	1.0	1.6	2.3	2.4	2.7	3.0
Income	59.5	62.8	63.2	72.5	72.6	74.6	76.7
Safety backlog	11.9	14.2	17.0	15.4	14.5	10.0	0.0
Statutory arrears	5.5	7.5	7.1	13.1	14.3	21.2	24.0
Other waterway operating and maintenance costs	63.8	75.4	78.4	95.7	99.1	100.9	114.2
Expenditure	81.2	97.1	102.5	124.2	127.9	132.1	138.2
Deficit	-21.7	-34.3	-39.3	-51.7	-55.3	-57.5	-61.5

Table 4.1

The mandate under which we operate is largely defined in the Transport Act of 1962 and 1968 and the BW Act of 1995, updated by the Framework Document, issued in February 1999. Our Framework Document in particular recognises our wider regeneration, environmental, education, leisure and social responsibilities. These documents together with the Financial Memorandum effectively form a contract with the government along with Funding Support Documents that set out yearly targets and income receivable in the form of grant.

The grant we receive does not cover the full cost of delivering our statutory obligations, as shown by the deficit in table 4.1. The income from our other business areas helps to fund statutory obligations not funded by the government.

Section 4.1 shows our progress during 2000/01 against initiatives set out in last years plan. Section 4.2 to 4.11 explain our plans for the delivery of our statutory obligations based upon targets agreed with the Government.

Income from maintenance agreements is also included under this section and is where we are paid to maintain waterways beyond the statutory minimum standard or to maintain and operate waterways not owned by us. This income is predominantly from local authorities but also includes income from The Waterways Trust.

4.1 Progress in 2000/01

Key initiatives 2000/01	Progress
Waterway Network	
Complete consultations with users and publish waterway dimensions covering box sections, fixed limiting locks and bridges, dimensions, pinch points and system for agreeing the profile of a waterway.	Box sections published at our AGM. Agreement of other dimensions and a system for agreeing the original profile of a waterway is ongoing.
Maintain waterways so that waterway standards are maintained and improved (see section 4.3)	Targets achieved.
Carry out works in a way that maximises the availability of the waterway navigation.	Navigation availability index forecast to be 95 compared to a target of 90. (This may be reduced due to closures caused through the outbreak of Foot and Mouth disease)
Ensure that a principal inspection has been carried out on all assets assessed as being in poor or bad condition.	Good progress was made on the inspection of assets assessed as being in poor or bad condition and the results from these is being used in prioritising backlog works.
Maintain a three year Priority Projects Programme and develop a programme to eliminate statutory arrears by 2010 to enable works to be accelerated once funding is available.	A three year Priority Projects Programme has been put in place and the programme accelerated for additional grant of £9m per annum from 2002/03.
Expand the water resource model and produce a more comprehensive water resource strategy.	This was achieved and also included the production of performance indicators for key summits on a quarterly basis.
Key initiatives 2000/01	
Safety	
Achieve asset condition targets by eliminating the safety backlog.	Currently on target to reduce the safety backlog to target level of £56.9m by March 2001 and fully eliminate the safety backlog by 2004. (Some works may be delayed towards the end of 2001/02 as a result of Foot and Mouth disease).
Improve work practices so that the BWISE score continues to improve.	BWISE score forecast to increase by 6% in line with annual improvement targets.
Develop a corporate safety improvement plan.	A corporate safety improvement plan has been prepared and this is now being used as a framework for the preparation of detailed action plans at waterways.

Complete all high priority local risk assessments.	Completed
Key initiatives 2000/01	Progress
Heritage & Environment	
All activities subject to a validated environmental appraisal by end 2001.	This is on target to be achieved by the end of 2001.
Ensure compliance with the Environmental Code of Practice	The percentage of work subject to a validated environmental appraisal increased from 78% to 90%.
Contribute to local Environment Agency plans.	Achieved.
Implement a national Bio-diversity action plan.	National Bio-diversity action plan framework launched in July 2000 to help local management teams prepare bio-diversity action plans for each waterway.

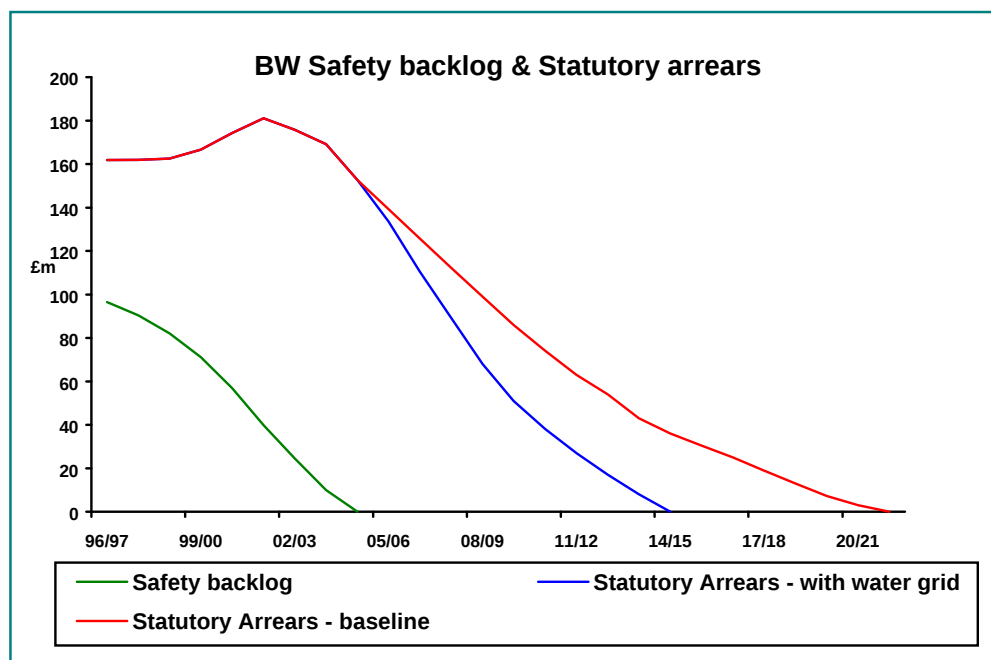
Table 4.2

4.2 Safety backlog and statutory arrears

In the past government funding was insufficient and as a result a backlog of maintenance of some £300m built up. In the last few years the government has tackled this serious underfunding by increasing grant by £8m from 1999/00 onwards, and by a further £9m from 2002/03 onwards. Along with significant increases in our own earned income we now have funded plans to eliminate the safety backlog and statutory arrears.

Providing planned levels of future grant and earned income are achieved, and our partnership ventures in property, water and telecoms proceed as planned, we target to eliminate safety backlog by the end of 2004 and the statutory arrears in 2015. However, as grant and the success of the water grid is not yet guaranteed the baseline date for elimination of statutory arrears is currently 2021.

The following graph and table shows our current targets for the elimination of safety backlog (green line) and statutory arrears. The red line shows the baseline target for statutory arrears and the blue line our improved target with income from the water grid.



Graph 4.1

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Year end balance	Actual	F'cast	Budget	Plan			
Safety backlog	71.1	56.9	39.9	24.5	10.0	0	0
Statutory arrears (baseline)	165.8	174.3	181.0	175.8	169.2	152.7	139.2
Total	236.9	231.2	220.9	200.3	179.2	152.7	139.2

Table 4.3

Our priority is a reliable and secure network that we can then use to build our other business areas upon. Should we not receive the grant required the likelihood of us succeeding in our other business areas will be reduced and some may not even start. For example, it is probable that the water grid will not get underway unless we can demonstrate to private sector partners we have funded plans for dealing with backlog and arrears in an acceptable timeframe.

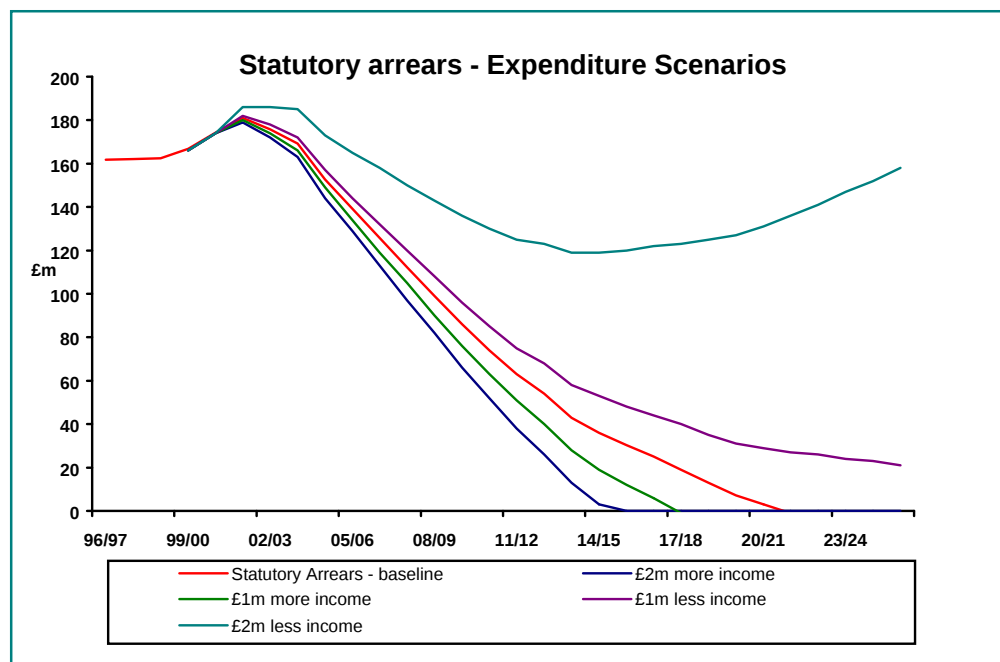
Sensitivities

The above targets have been set based upon the assumption that income will increase in line with our plans. A range of scenarios has been examined to show how the statutory arrears target would vary with income and expenditure variances.

Scenario	Variance from baseline (years)
Baseline	0
£30m capital for watergrid	-6
£1m more expenditure p.a.	-4
£2m more expenditure p.a.	-6
£1m less expenditure p.a.	+18
£2m less expenditure p.a.	Never reduces

Table 4.4

Reducing the amount of spend on statutory arrears per annum has the effect of increasing the time for its elimination. However, it is important that a minimum spend is maintained to stop the statutory arrears increasing as a result of the further deterioration of assets. If this were not done the statutory arrears would start to increase after a period of time (as shown in graph 4.2) but also as this happens some of the statutory arrears assets would become unsafe and a new safety backlog would be



created.

Graph 4.2

4.3 Waterway Standards

We plan to carry out maintenance on the waterways so that standards are maintained and improved. So that we can set and monitor the service levels offered to waterway users we have devised a framework of waterway standards. There are four main headings for waterway standards; Navigation, Channel, Environs and Towpath. Navigation and Channel focus principally on the needs of boaters but also have an important effect on flood control, water supply and environment.

A minimum standard has been set for each kilometre of waterway and the following table shows compliance with that standard.

		99/00	00/01	00/01	01/02	05/06
		Actual	Bud	F'cast	Bud	Plan
Percentage of waterway	Nav	93%	93%	93%	94%	99%
at or better than	Chan	67%	77%	77%	82%	95%
minimum standard	Env	90%	91%	91%	92%	95%
	Tpath	92%	96%	97%	97%	99%

Table 4.5

The predominant area where improved standards are required is the channel standard. In last year's plan we undertook to spend an additional £2m on dredging to improve the channel standard and we plan to continue this increased level of spend up to 2005/06.

Our longer term targets are based upon waterway use and appropriateness of the standards to meet customer expectations. In an increasingly competitive leisure market standards will inevitably have to increase to continue to sustain the existing customer base.

Table 4.6 defines the waterway standards in more detail and table 4.7 shows a summary of our targets.

Navigation Standards	Type	Example
N1	River, Canalised River or Canal A busy major waterway serviced throughout the year with significant freight and leisure traffic.	Aire & Calder
N2	River, Canalised River or Canal A major waterway predominantly used by leisure but with some freight, seasonally available.	River Severn, River Trent
N3	River, Canalised River or Canal A busy waterway capable of sustaining 500+ boats per week.	Parts of Grand Union Main Line, River Soar, Llangollen, South Oxford
N4	Canal Standard A waterway capable of sustaining 200+ boats per week.	Whole of Worcester & Birmingham, Trent & Mersey, Kennet & Avon Canal
N5	Canal Undeveloped A waterway capable of sustaining 200+ boats per week.	Parts of Birmingham Canal Navigations, remainder section of Leeds & Liverpool, navigable section of Montgomery
N6	Un-navigable Canal A waterway capable of sustaining 200+ boats per week.	Un-navigable sections of Montgomery Canal, Southern section of Monmouthshire & Brecon
N7	Dry track of a former canal.	Parts of St Helens, Shrewsbury
Channel Standards	Description	
C1	Consistently exceeds the minimum laid-down standard for the waterway in respect of channel depth by 15%. An absence of weed and obstructions to navigation. Appropriate air draft maintained to enable two way navigation where practical.	
C2	Generally meets the laid down standard for waterway in respect of channel depth, and levels of weed and extraneous obstructions do not significantly impair navigation. Air draft will not significantly impair navigation.	
C3	Length falls below designated standard and/or subject to weed extraneous obstructions that may impair navigation.	
Environs Standards	Type	Example
E1	High profile area attracting many visitors	Sheffield basin, Little Venice, London Docklands, Gas Street, Grand Union (Stoke Bruerne)
E2	Well used lengths	Grand Union (Cassibury Park), Trent & Mersey (Stone), Gloucester & Sharpness, Leeds & Liverpool
E3	Lightly used lengths	Montgomery Canal south of Welshpool, Peak Forest Canal, Grantham Canal near Grantham
E4	Rarely visited lengths	Manchester Bolton & Bury, St Helens, Stourbridge canal Fens Branch
Towpath Standards	Description	
T1	Heavily used towpath, typically in a densely populated area or at 'honey pot' location	
T2	Frequently used towpath, typically in urban/rural fringe	
T3	Lightly used towpath, typically in rural locations	
T4	No towpath or towpath badly eroded or not continuous	

T5 Towpath not British Waterways' responsibility (e.g. River Severn)

Table 4.6

Percentage of Total Waterways at Navigation Standard	98/99	99/00	00/01		01/02	05/06
			Target	F'cast		
N1	8%	3%	3%	3%	3%	4%
N2	7%	13%	13%	13%	14%	14%
N3	16%	14%	15%	15%	15%	22%
N4	49%	48%	48%	48%	47%	47%
N5	11%	12%	12%	11%	11%	8%
N6	8%	8%	7%	8%	8%	4%
N7	1%	2%	2%	2%	2%	1%
Percentage of Total Waterways at Channel Standard						
C1	23%	23%	32%	32%	37%	60%
C2	40%	44%	45%	45%	45%	35%
C3	37%	33%	23%	23%	18%	5%
Percentage of Total Waterways at Environs/Facilities Standard						
E1	3%	2%	3%	2%	3%	5%
E2	34%	27%	27%	27%	27%	43%
E3	52%	61%	60%	61%	60%	46%
E4	11%	10%	10%	10%	10%	6%
Percentage of Total Waterways at Towpath Standard						
T1	2%	4%	5%	4%	5%	7%
T2	28%	28%	29%	29%	28%	40%
T3	53%	50%	49%	49%	49%	37%
T4	3%	4%	3%	4%	3%	2%
T5	14%	14%	14%	14%	15%	14%

Table 4.7

4.4 Navigation Availability

Our approach is to plan works so that they have the minimum impact upon customers. During the main cruising season from Easter to October and over the two-week Christmas break we will aim to have all navigations open. Closures for major works will be planned during the winter with closures published well in advance.

We have designed a navigation availability index to monitor availability which takes into account the following factors weighted depending on importance to the customer:

- Length closed
- Time period of stoppage and seasonality
- Navigation standard (customer usage).

	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Navigation availability index	-	95	85	85	90	90	95

Table 4.8

Navigation availability is expected to drop in 2001/02 and 2002/03 when major safety backlog works are undertaken. After this the index will increase as more of the statutory arrears works will be carried out without closing the navigation. In 2001/02 the situation may also be exacerbated by the postponement of work as a result of foot and mouth which could cause some works to be carried over from 2000/01 to 2001/02.

4.5 Works Programmes

Each waterway constructs its own general works programme each year that covers routine maintenance, customer service and some renewal/refurbishment. As well as waterway general works programmes (GWP) we have a national priority projects programme (PPP). This is a national works programme agreed with regional engineers and implemented locally. These works cover renewal/refurbishment, safety backlog, statutory arrears, customer service and our contributions to regeneration and restoration works.

The priority projects programme is planned on a three-year cycle to enable adequate resources to be put into the planning and design stage of projects. The following table shows the planned priority project programme and general works programme analysed by business sector for the three years 2001/02 to 2003/04. A more detailed analysis of backlog and statutory arrears expenditure for 2001/02 by asset type is shown in appendix 5.

£m	01-02		02-03		03-04	
	GWP	PPP	GWP	PPP	GWP	PPP
Routine maintenance	10.5	-	11.7	-	12.8	-
Renewal / Refurbishment	3.0	3.0	3.4	5.0	3.6	3.9
Safety Backlog	-	17.0	-	15.4	-	14.5
Statutory Arrears	-	7.1	-	13.1	-	14.3
Service (operations)	10.0	1.4	11.1	2.6	12.2	2.8
Regeneration (third party)	0.4	2.3	0.4	3.4	0.7	3.5
Total	23.9	30.8	26.6	39.5	29.3	38.9

Table 4.9

We have made significant improvements over the last three years in the quality of our asset database. We will continue to maintain this database to support improved decision making and the planning of works programmes.

We have already started to work up a plan to eliminate the statutory arrears by 2010 and will continue to improve this plan in 2001/02. With this plan in place we will be able to quickly accelerate works when funding becomes secure.

4.6 Water Management

Part of our duty in operating a navigation is to manage the water resource. This involves ensuring there is water available for navigation but also controlling water during periods of flood. Water drains into canals both naturally and through man-made drainage systems. Canals then act as a balancing pond particularly in urban areas. By controlling the amount of water we release to adjacent watercourses or transfer to other parts of the network we help ensure urban areas are not flooded. On some of our river navigations we also directly operate flood control structures to control water flows during times of flood.

Flooding

The autumn of 2000 was one of the wettest in history and numerous floods occurred throughout the country effecting our waterways. The North East region was particularly badly hit.

These floods had the following consequences:

- Overtime worked for additional water control
- Structural damage to assets
- Damage to electronic and hydraulic operating systems
- Additional costs on existing contracts.

The major areas of additional costs were:

	£m
Skipton Causeway re-build	1.0
Dredging	0.9
Bank protection works	0.3
Scour damage	0.2
Numerous small jobs (individually less than £0.2m)	2.5
Total	4.9

Table 4.10

We estimated the total additional costs caused as a result of the flooding to be £4.9m and to help with these costs the government awarded us an additional £3.7m of grant for the 2000/01 financial year. We financed the other £1.2m by re-prioritising works in the general works programme.

Water Supply

The supply of water is important for boaters, water sales customers and the environment. We will balance all the demands for water to meet the needs of our customers.

It is hoped that the wet winter will help to ensure sufficient water is available for the summer. We intend to improve the efficiency of our water management by integrating water management plans for each waterway and will continue to track our success in managing water resources through the use of a water resource management performance measure. This performance measure is based upon measurements taken from key sites and covers the effects on navigation, the supply of water to customers, water losses and water levels in relation to reservoir control curves.

	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Water resource management	85%	88%	90%	90%	90%	90%	90%

Table 4.11

4.7 Safety

The safety of both users and our people is one of our prime concerns. Waterways by nature are potentially dangerous places as is much of the work carried out by our manual workers. We therefore have a duty to ensure:

- The risks to users are minimised as far as possible
- Our employees are correctly trained
- We provide our people with the correct tools and safety equipment.

We have planned the following key initiatives for continuous improvement and monitoring of safety:

- An audit programme to assess whether workplaces and safety processes are being applied correctly.
- Competency assessment training programme to ensure our people are competent to utilise potentially dangerous equipment. This will be supported by appropriate training where necessary.
- Risk management on major projects to ensure the safety of contractors, the public and our own people.

- A review of all safety procedures and guidance to ensure they remain appropriate.
- Improved monitoring systems will be introduced to ensure incident reporting is up to date and correctly recorded. This will then provide data for better accident and incident reports.

4.8 Heritage and Environment

The waterways are rich in historic buildings and examples of innovative civil engineering. They are also an important environmental and ecological resource providing wildlife corridors and habitats for many species.

It is part of our remit from the Government to develop waterways in a sustainable manner and a key part of this is to preserve the heritage and environment and ensure that all our other activities are carried out in a way that is consistent with this remit. We will ensure appropriate measures are in place to monitor continued sustainable development and that those measures are aligned to the Governments key sustainability indicators.

In the past year we have launched our national framework for biodiversity action plans (BAPs) which will form the basis of waterway BAPs. We have a plan in place to develop waterway BAPs over the next five years. Initially these BAPs will concentrate on specific sites, species or habitats.

Our Environmental Code of Practice (ECP) has recently been updated and embraces all aspects of our work. The ECP ensures that we maintain and excel in the delivery of high standards of conservation work and helps ensure our work is carried out in a sustainable manner consistent with modern practices. We will continue to use our ECP and ensure it is applied thoroughly. In the future we will extend the application of the ECP to cover all our activities.

Water quality

We try to ensure that the quality of water in our waterways is not polluted to help avoid adverse effects on the waterway environment. However, we often have little control over the quality of water discharged into our waterways which can be polluted by fertilisers and pesticides from adjacent farmers fields. We monitor both chemical and biological water quality in conjunction with the Environment Agency whose role it is to regulate water quality. We have contributed to the formulation of the clean up programme now being implemented under AMP3. This five year programme will result in most of the polluting effluent discharges being eliminated.

Impact on other Business areas

As well as playing an active role in caring directly for the environment and carrying out our own maintenance work in an environmentally sensitive manner we plan to encourage the development of other waterway related businesses. These will help support the environment and are an integral part of achieving our environmental and heritage objectives:

- We plan to encourage the use of our waterways for freight transport to remove freight where possible from roads. (section 5.1.3)
- The use of the waterways as a national water grid to transfer and sell water will help maintain water supply and protect the environment from the risks caused by the over abstraction in areas of shortage. (section 5.6)
- Visitor attractions and the provision of information at or close to important heritage sites is designed to encourage visitors to enjoy and gain a sense of ownership of these heritage structures. Income we receive from visitors will contribute towards their long term sustainability. (section 5.3)
- We have been particularly successful over the last four years raising significant funds for regeneration and restoration projects. These include the Millennium Link, Huddersfield Narrow Canal and Anderton Boat Lift involving the restoration of significant heritage structures and making them accessible to the public. Part of our success can be attributed to the attractiveness of waterway based regeneration projects to deliver many of the Governments social and economic policies as set out in their Urban and Rural white papers. Our plans in section 5.4 show that we plan to continue this success.

4.9 Education

As well as being part of our statutory duties it is in our wider interest to support and encourage the use of waterways, especially by younger generations.

The following benefits can be achieved:

- Wider use of the waterways and a greater understanding of their heritage, and support for their sustainable development
- Providing users with a sense of ownership which ultimately reduces the likelihood of vandalism
- Development of future markets for waterway related businesses.

We have the following actions in place for 2001/02 to help meet these objectives:

- We are piloting a 'Staff in Schools' project which will allow our people to strengthen their relationship with local communities.
- Waterways Challenge project, which is a series of waterway activities with clear national curriculum links for teachers.
- Education boats.
- An upgrade of our printed material for schools giving it a fresh and contemporary identity.

4.10 Social Inclusion

We aim to encourage visitors to our waterways from all social backgrounds. We work and consult with local communities so that no groups are excluded. We have the following actions planned:

- Designing out threatening areas of towpath to make them more attractive and accessible.
- Putting in additional facilities for disabled access. Traditionally this has involved ensuring access is available for wheel chairs etc. However our relationship with customers extends beyond this and next year we plan to improve our web site and in particular to include a version for the visually impaired using text readers.
- To continue to undertake social and economic waterway based regeneration schemes. More grants are likely to be available in socially deprived areas and canal regeneration schemes help to create and support jobs, encourage social improvements and inward investment from the private sector. (section 5.4 provides more detail on our plans in this area)

We will continue to develop partnerships with local authorities and work with them to implement social improvement schemes. Over this five year plan we are expecting to receive on average £3.6m per annum of income from the single regeneration budget for works relating to such schemes.

4.11 New Waterways and Waterspace

The role, functions and organisation of the Environment Agency (EA) are currently under review by the DETR. The EA runs 500 miles of navigation on the River Thames (non-tidal), Nene, Gt. Ouse, Ancholme and Medway where we believe we are best place to deliver the Government's policies for sustainable waterway development as set out in Waterways for Tomorrow and to improve customer services.

We support the role of the EA as a regulator and believe that they should continue this role, however it should not be compromised through their other navigation authority responsibilities.

The income and expenditure associated with operating these waterways has not been included in this plan, due to the uncertainty of the outcome of the Environment Agency's quinquennial review. Should the EA waterways be transferred to us income and expenditure is likely to increase by around £10m

One of our long term strategic objectives is to improve and enhance all waterways in the UK. We are currently working with other navigation authorities regarding the development of their waterways or areas of waterspace.

5 Business areas

This section covers the five business areas referred to in section 2. The table below shows planned income from each of these business areas and more detail is provided in the sections that follow. Maintenance agreements are covered in section 4.

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget	Plan			
Craft Licences	7.9	8.6	9.2	9.8	10.4	10.8	11.2
Moorings	2.9	3.5	4.2	4.7	5.3	5.7	6.3
Leisure rents	3.2	3.5	4.2	4.0	4.7	5.3	6.1
Freight	1.0	1.2	1.7	1.9	1.9	1.9	2.0
Angling	0.7	0.8	0.8	0.8	0.9	1.0	1.0
Waterspace	15.7	17.6	20.1	21.2	23.2	24.7	26.6
Operational Property	4.6	8.0	5.7	6.4	7.0	7.6	7.8
Premiums	1.0	1.7	2.3	1.9	1.9	2.0	2.0
Non-operational Property	15.9	16.8	18.4	19.5	21.4	22.5	23.1
Property	21.5	26.5	26.4	27.8	30.3	32.1	32.9
Attractions	0.2	0.9	1.6	3.7	3.6	3.7	3.8
Regeneration and Restoration	51.3	73.2	55.1	40.4	50.0	55.0	60.5
Telecommunications	2.3	6.5	6.7	7.5	8.5	9.5	10.0
Water Sales	3.3	4.6	4.3	3.9	7.9	8.0	9.2
Other Income	3.6	5.3	4.5	4.7	5.4	4.0	4.2
Maintenance Agreements	0.8	1.0	1.6	2.3	2.4	2.7	3.0
Trading Income	98.7	135.6	120.3	111.5	131.3	139.7	150.2

Table 5.1

5.1 Waterspace

Progress in 2000/01

Key initiatives 2000-1	Progress
Continue to apply more market led pricing, particularly for moorings.	Waterway moorings strategy prepared and pricing framework revised.
Complete our four year programme of licence price increases.	Completed
Work with the Environment Agency to develop the extension of the 'gold' licence	Agreement reached for Hotel boats and discussions will continue in 2001 for other licence types.
Stricter policing of licence evasion to reduce evasion rates from 4% now to 2% by 2004/05.	Licence evasion rate reduced from 4.2% to 3.5% during 2000/01. Hand held computers introduced to patrol staff giving immediate up-to-date

	licence information on the towpath.
Key initiatives 2000-1	Progress
Prepare a strategy for our angling customers through researching the changing patterns of fresh water angling with the objectives of arresting the decline in on-line angling and expanding BWs off-line managed fisheries and increasing our income.	A draft strategy is in the process of being debated with users.

Table 5.2

5.1.1 Craft licences

	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Craft licence income (£m)	7.9	8.6	9.2	9.8	10.4	10.8	11.2
Boat Numbers	24,810	25,970	26,610	27,150	27,690	28,240	28,800
Craft licence evasion rate	4.2%	3.5%	3.0%	2.5%	2.2%	2.0%	2.0%

Table 5.3

The market for boats is growing steadily at around 2% per annum. This assumption is supported by our contacts within the boat building and leisure industry. We have assumed that this increase will continue over this plan along with inflationary price increases on the 1 January each year.

5.1.2 Moorings and Leisure rents

	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Moorings Income (£m)	2.9	3.5	4.2	4.7	5.3	5.7	6.3
Leisure rents (£m)	3.2	3.5	4.2	4.0	4.7	5.3	6.1
Number of moorings:							
On-line	5,090	5,220	5,340	5,460	5,560	5,650	5,720
Off-line	3,350	3,560	3,800	3,950	4,200	4,350	4,480
Total BW Moorings	8,440	8,780	9,140	9,410	9,760	10,000	10,200

Table 5.4

Leisure rents are the income we derive from privately operated marinas and moorings.

Our strategy is to increase the number of moorings and in particular off-line moorings while limiting the increase in the number of permanent linear moorings. This will:

- Maintain space on the waterway for other leisure activities and enhanced navigation
- Satisfy the demand for more moorings as boat numbers grow

- Provide safer more secure moorings to satisfy customer demand, following the trend towards better quality boats
- Provide more marina sites for the development of related activities such as retail, pubs and restaurants
- Increase earnings from the higher rates charged for off-line moorings.

In 2001/02 we shall open new off-line moorings at Newark, Cowley Peachey, Apsley and Docklands. We will continue to develop plans for others where appropriate and a business case can be demonstrated.

By the end of 2001 each waterway will have its own comprehensive moorings plan which will cover:

- Current mooring sites and potential new sites
- Comparisons with private moorings for both price and quality
- Forecast increase in boat numbers.

5.1.3 Freight

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Freight	1.0	1.2	1.7	1.9	1.9	1.9	2.0

Table 5.5

We shall continue to concentrate on niche markets such as waste, coal, aggregates and construction materials.

The government is keen to see the waterways used more for freight and we plan to work with them and the private sector to achieve this where cost effective. We are proposing, through the Freight Study Group, practical incentives to encourage freight on waterways. Our main proposal is the introduction of Track Access Grants and the removal of freight tolls. This will encourage the development of waterways for freight and make it more economical for freight operators to use waterway transport. The grant would be used to increase the degree of automation to enable waterway passage over a 24 hour period. This would improve the competitive position of waterways compared to roads where this is already the case.

We have stated to the Environment, Transport and Regional Affairs select committee that it should be possible to more than double the amount of freight over a five year period and this is reflected in table 5.5.

The following specific initiatives are planned:

Waste by Water (London)

The Waste by Water partnership was formed in 1999, and co-ordinates discussions between the London Borough of Hackney and private sector

waste companies. Initial studies show that it is feasible to transport domestic waste from Hackney to Edmonton's 'Waste to Energy' plant, via the River Lee. We plan to investigate the commercial viability of the proposal with a target for the project to come into effect in 2002.

Canary Wharf

Approximately 2.5m tonnes per annum of building material are being transported through the docks which is equivalent to around 125,000 lorry loads. Building work is likely to continue in Docklands for most of the plan period and we seek to maximise the materials carried by water.

Other schemes currently being investigated are:

Gloucester & River Severn - waste by water
Caledonian - timber and waste by water.

5.1.4 Angling

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Angling	0.7	0.8	0.8	0.8	0.9	1.0	1.0

Table 5.6

Research and customer feedback indicates that the demand for on-line fishing is decreasing. We are working with the National Association of Fishery and Angling Consultatives and the National Angling Federation to arrest this decline. In 2001 every waterway will have an on-line angling initiative aimed at encouraging more fishermen back on to the canal. We also intend to develop our off-line fisheries where demand is greater.

5.2 Land and Property

Progress in 2000/01

Key initiatives 2000-1	Progress
Sell non-essential and high management cost properties.	Disposal proceeds of £12.6m, of which £1.2m was from low value investments with high management costs (53 properties)
Promote third party investment in major waterside developments to generate income and improve the waterways.	Joint ventures created in Nottingham and Stoke with others under discussion in Manchester, Liverpool, Gloucester, London and Glasgow.
Create Property Public Private partnership	Outline business case approved and advisors appointed. OJEC notice published in January 2001.
Invest in waterside properties and businesses from which we will earn direct income.	£27m forecast to be invested in 2000/01.
Acquire the remaining properties owned by the Port of London Properties.	Port of London Properties has been acquired.
Develop a scoring mechanism for the appraisal and prioritisation of investment projects.	Investment evaluation process introduced.

Table 5.7

Property Income

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Operational Property	4.6	8.0	5.7	6.4	7.0	7.6	7.8
Premiums	1.0	1.7	2.3	1.9	1.9	2.0	2.0
Non-operational Property	15.9	16.8	18.4	19.5	21.4	22.5	23.1
Total Property	21.5	26.5	26.4	27.8	30.3	32.1	32.9
 Non-Op Property BAV	 247.7	 273.6	 287.3	 304.7	 323.2	 343.0	 364.2
% growth		10%	5%	6%	6%	6%	6%

Table 5.8

5.2.1 Operational Property

The majority of our income derived from operational land and property is from licences, wayleaves and easements for bridges, gateways, access, underground pipes/cables, and surface water discharge.

Utility Income

[Confidential material removed as exempt from disclosure under section 43 of the Freedom of Information Act 2000]

We have similar agreements with Gas, Energis and Electricity companies which are due for renewal. It is difficult to predict with any accuracy the effect re-negotiation of these agreements will have on income and have therefore assumed income will continue in-line with current levels.

While this plan was being prepared we won our case against Severn Trent concerning our right to charge for effluent discharge. Provided they do not appeal to the House of Lords we can now negotiate licence payments for hundreds of outfalls across the network. This could be worth in excess of £1m per annum. Due to the uncertainty in respect of the amount and timing we have decided not to include this income at this stage.

5.2.2 Premiums

Premiums are the payments received for the rights to cross or discharge into the canal. These payments are very difficult to predict with any accuracy as their frequency and value depend entirely on the development opportunities realised on land adjacent to the canal. The figures shown are based on historical receipts and the likelihood of premiums being received from known developments.

5.2.3 Investment property and Land (non-operational property)

Property PPP (P4)

We plan to grow our property activity and in the long term generate increased income by expanding our joint ventures and partnerships with the public and private sectors. In this way we can profit from our assets and expertise while gaining the ability to raise debt finance for specific projects.

We already have a number of property joint ventures underway or actively being planned. The umbrella Property PPP currently being developed may absorb some of these but will also increase the overall number of sites we become involved with.

We plan to have a partner selected by September 2001. The plan is for us to transfer some of our properties to a Joint Venture vehicle, to match with the partners investment. An evaluation process will ensure that the most appropriate properties are transferred. We are currently identifying a range of suitable properties which are likely to be located in major cities and have good development potential.

Port of London Properties (POLP)

[Confidential material removed as exempt from disclosure under section 43 of the Freedom of Information Act 2000]

Wood Wharf is an opportunity which we plan to joint venture with private sector partners.

Partnerships with the Public sector

In addition to partnerships with the private sector we will also continue to develop partnerships with other public sector organisations such as local councils and development agencies. We have successfully achieved this in Birmingham, London and Nottingham and we are looking to formalise similar partnerships in Liverpool, Gloucester and Manchester. These partnerships have proved very effective in drawing in public money to regenerate run-down areas.

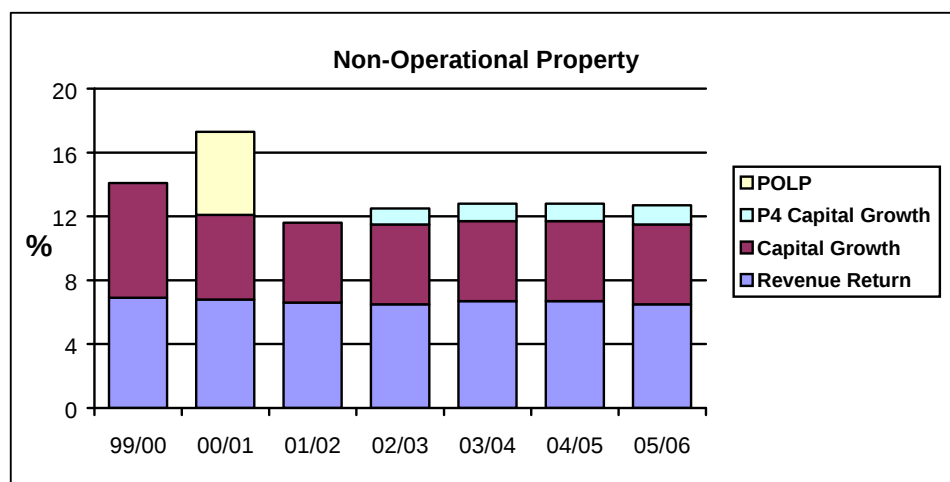
Disposals

Our main source of funds for new investments is through the disposal of property. We plan to place particular emphasis on the disposal of low value, poor performing and high management cost properties. We have identified £40m of total low value and return properties and plan to dispose on average £20m of property per annum.

The disposal programme will be guided by market opportunities and the need to invest in other properties or parts of the business which can generate a greater return. In determining which properties to dispose consideration will be given to a range of factors including:

- Existing return
- Potential future return
- The added value provided to the surrounding heritage and natural environment.

Graph 5.1 shows combined revenue and capital returns from our non-operational property estate.



Graph 5.1

Average capital growth of 5% has been assumed each year, this is likely to vary however depending on market conditions. The light blue indicates enhanced capital growth as a result of transferring £20m of property into P4. [Confidential material removed as exempt from disclosure under section 43 of the Freedom of Information Act 2000]

5.3 Attractions

5.3.1 Attractions Income

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget	Plan			
Attractions	0.2	0.9	1.6	3.7	3.6	3.7	3.8

Table 5.9

This comprises all income generated on sites from entrance fees, retail, catering and car parks.

5.3.2 Plans for 2001/02

Work on the three visitor attractions started in 2000/01 will be continued:

Falkirk Wheel



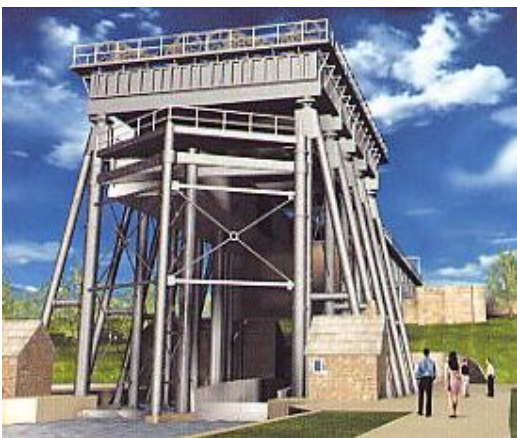
Due for opening in Easter 2002. It is expected to attract over 300,000 visitors per annum with 150,000 of them paying to 'ride the wheel'. The development of this attraction is also planned to have a significant impact on the local economy and play a major role in encouraging the local community to recognise the value of the canal network and maximise its various uses.

Standedge Tunnel



Due to be opened by summer 2001. It is anticipated that this site will attract around 50,000 visitors per annum.

Anderton Boat Lift



Due to be open in Spring 2002. 50,000 people per annum are expected to visit the site.

Over the next year we will identify 20 priority sites where improved facilities are required for visitors. The driver for developing these sites will not only be to generate income (although we shall do so wherever possible). But

will be to open up the waterways to a wider audience and help conservation of the natural and built heritage.

5.4 Regeneration and Restoration

Progress in 2000/01

Key initiatives 2000-1	Progress
Seek funding for the regeneration and restoration of waterways not funded by DETR and Scottish Executive grants.	Funding for regeneration and restoration projects in 2000/01 has outstripped all previous years with income forecast at £73.2m.
Prepare a strategy for rural regeneration.	Rural Regeneration Strategy published to support funding bids and the development of partnerships with Local Authorities, Regional Development Agencies, Statutory Bodies, Trusts and the Private sector. This strategy sets out what needs to be done to achieve the Governments aspirations set out in various policy documents including The Rural White paper and Waterways for Tomorrow.
Enhance funding opportunities for regeneration and restoration.	High level strategic funding agreements sought with HLF and RDAs to help secure funding for future projects.
Put in place a formal contract with The Waterways Trust for fundraising and promoting restoration schemes.	Formal contract now in place.

Table 5.10

Income and Expenditure

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Income	51.3	73.2	55.1	40.4	50.0	55.0	60.5
Expenditure	65.4	88.3	67.2	44.5	54.5	59.0	64.5
	-14.1	-15.1	-12.1	-4.0	-4.5	-4.0	-4.5

Table 5.11

This has been the fastest growing business area over the last five years. Income has increased from £6m in 95/96 to over £73m in 2000/01. Growth to this level has been achieved by a large number of small projects and a smaller number of large restoration projects. The largest of these being the £78m Millennium Link which will be completed in 2002 and accounts for £31.6m of income during 2000/01.

We plan to continue waterway restorations at a rate of around £50m per annum and to ensure we remain successful we plan to:

- Concentrate more of our project bids on 'people-orientated' aspects rather than infrastructure since it is in this area where there is likely to be more funding available

- Work in partnership with other organisations including The Waterways Trust
- Expand the number of potential funders and markets for our expertise by growing our international reputation particularly in Europe.

The following table shows current tranche one projects. The Huddersfield narrow Canal will be completed in summer 2001 and the others completed by the summer of 2002.

Tranche one Projects	£m
Millennium Link	78
Kennet and Avon HLF	29
Huddersfield Narrow canal	32
Rochdale canal	24
Anderton Boat Lift	7
The Ribble Link	5
	175

Table 5.12

We are coming to the end of our first tranche of major restoration projects but at the same time have been working on putting in place funding for tranche two projects which will replace tranche one projects when completed. In the period when tranche 1 projects start to end and the start of tranche 2 projects we are expecting a dip in income, but as table 5.13 shows we plan income to then increase.

Table 5.13 shows our current shortlist of major Tranche Two projects together with an indication of the cost.

Tranche Two Projects	£m	Currently BW Owned
Lancaster canal - northern reaches	25	Largely
Cotswold canals (phase I)	70	✗
Bedford link	70	✗
Droitwich barge & junction canals	7	✗
Foxton inclined plane	8	✓
Montgomery canal (phase I)	10	✓
	190	

Table 5.13

As well as these large projects there will be many smaller projects taking advantage of local funds. It is very difficult to predict with accuracy the timing of projects and to a great extent we have to take opportunities as they arise.

We will concentrate on projects where we believe there is the greatest public support and available funding and which provide the greatest benefits to the waterways. Available funding will usually be linked to the achievement of either Local or Central Government policy. The Governments policies on regeneration in urban and rural areas along with their policies set out in Waterways for Tomorrow are closely aligned and we have selected projects in Tranche 2 which we believe will match these policies.

The Regional Development Agencies (RDAs) in England and Wales have the role of promoting sustainable economic development, social and physical regeneration and working to co-ordinate the work of other related bodies. We anticipate that the RDAs will become our major source of funding and have started to work with them at both regional and national level to build relationships and develop strategic funding agreements.

We will continue to build relationships with the RDAs as well as work with other important bodies crucial to making the planned projects happen. These include local authorities, canal trusts and The Waterways Trust (TWT).

Over the five year plan we envisage a greater amount of funding coming from the RDAs and local authorities while funding from the lottery may reduce.

We will continue to be guided by IWAAC's restoration priorities report (currently being updated) and AINA's strategic waterway links review. All prospective restorations are under continuous review allowing good prospects which develop to be elevated to an earlier tranche.

The Waterways Trust

We will work with TWT and contract with them to raise specific funds and utilise the benefits they can provide regarding the generation of funding which would not be directly available to us.

5.5 Telecoms

Progress in 2000/01

Key initiatives 2000-1	Progress
Identify potential mast sites working in partnership with Ipsaris.	Marconi set up a JV with Railtrack to provide masts to 3G operators. We decided to transfer the right to put masts on BW land from Ipsaris to this new JV, as it has a better chance of attracting major operators and also significantly increased the opportunities for Ipsaris to develop its network services. [Confidential material removed as exempt from disclosure under section 43 of the Freedom of Information Act 2000] Over 3,000 potential mast sites have been identified for matching with the demand from mobile phone operators.

Table 5.14

Our telecoms business is set to grow from simple wayleave receipts to income from wayleaves, mast and property rental and equity interest in two expanding telecoms companies.

Income to BW

£m	99/00	00/1	01/2	02/3	03/4	04/5	05/6
	Actual	F'cast	Budget		Plan		
Telecoms	2.3	6.5	6.7	7.5	8.5	9.5	10.0

Table 5.15

We already hold a 10% equity stake in Ipsaris but plan to acquire a 7.5% equity share in a JV company with Marconi and Railtrack as part of our agreement to provide telecom sites over the next five years.

We envisage retaining a long-term shareholding in Ipsaris as it expands world-wide although the forecast growth in capital value will provide an option to sell part of our equity to finance alternative investments.

BW income from the masts is currently very small (less than £10k) but we plan to significantly increase this over this plan. We have identified over 3,000 potential mast sites and have provided these to cell phone operators which they will check against their 2G and 3G plans. We anticipate that masts will start to be built in August 2001.

Income from the masts is based upon 1,500 mast sites being developed over the next four years. The actual number of masts built and start to generate income will depend upon demand from mobile phone operators, competition from other land owners and planning approval. There is a risk that adverse public feeling against telecoms masts could

hamper the ability to obtain planning permission and effect our ability to achieve the growth planned in this area.

5.6 Water transfer and sales

Progress in 2000/01

Key initiatives 2000-1	Progress
Select and appoint a PPP partner.	Advisors appointed, business case confirmed and initial stages of the partner selection process started. OJEC notice published in January 2001.
Review existing sales contracts with a view to obtaining prevailing market rates.	At agreed review dates contracts re-negotiated to reflect current market rates.

Table 5.16

Planned Income

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/6
	Actual	F'cast	Budget		Plan		
Income	3.3	4.6	4.3	3.9	3.9	3.9	4.0
Water grid (share of profits)	-	-	-	-	4.0	4.1	5.2
Total	3.3	4.6	4.3	3.9	7.9	8.0	9.2

Table 5.17

Income is planned to fall in 2002/03 as a result of a drop in our contracted income from Bristol Water. Our income from Bristol Water was higher in the first two years of the contract to reflect the cost of replacing the pumps at Gloucester required to enable us to guarantee supply.

5.6.1 Water Grid PPP

The implementation of a national water grid will require substantial investment and expertise in water treatment and we plan to acquire these through working with partners. We plan to select partners by the end of 2001 in accordance with the following timetable.

Key Milestones	Date
Invitation to submit outline proposals	March 2001
Submission of outline proposals	April 2001
Issue invitation to negotiate (ITN)	June 2001
Submit ITN	July 2001
Submit best and final offer	October 2001
Selection of preferred bidder	December 2001

Table 5.18

We plan to start to generate net income from the water grid joint venture by 2003/04 and this income is shown in table 5.17.

In order for us to successfully find private sector partners we will have to be able to demonstrate to them that we have a well controlled water management plan on a network which is safe and sustainable. This will require investment in telemetry equipment (SCADA) and funded plans to eliminate all statutory arrears. We estimate the costs involved to be £30m over the next three years and have requested grant from the Government to help us fund this. DETR have yet to confirm that they will provide this.

5.7 Other Income

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/6
	Actual	F'cast	Budget		Plan		
Other Income	3.6	5.2	4.5	4.7	5.4	4.0	4.2

Table 5.19

This is income derived from fees and the recharging of works carried out on behalf of other organisations. Small amounts of other sundry income is also included.

6 Value for money and Procurement savings

Our strategy to deliver value for money is to reduce central and regional overheads as a proportion of total expenditure so that a greater proportion of total expenditure is spent directly on the waterways. At the same time we will negotiate, compete down or work in partnership with suppliers to achieve procurement savings.

We will also continue to ensure the most up to date and efficient project management techniques are adopted to ensure projects are delivered to cost and time.

6.1 Value for Money

We have set ourselves the following targets for overhead expenditure.

	99/00	00/01	01/02	02/03	03/04	04/05	05/6
	Actual	F'cast	Budget		Plan		
Total Expenditure (£m)	157.1	197.3	191.9	191.7	211.5	211.6	223.9
Overheads as % of total expenditure							
Central Overheads	2.8%	2.5%	2.8%	2.9%	2.6%	2.7%	2.6%
Regional Overheads	4.7%	3.5%	4.1%	4.2%	3.9%	3.9%	3.8%

Table 6.1

Overhead percentages for 2000/01 are lower due to the exceptionally high expenditure on major restoration projects in that year. The overall trend is for overheads to reduce as a proportion of total expenditure.

6.2 Projects

We spend around £120m per annum on projects, which accounts for almost two thirds of our total expenditure. It is therefore important that projects deliver the agreed outputs and also that they are completed on time and to budget. If not there is a risk that our targets identified elsewhere in this plan will not be achieved. These include safety backlog, statutory arrears and waterway standards.

We will monitor our success in managing projects by measuring by value and number projects completed within budget and approved time. Our target is to complete 80% of projects within budget and 75% of projects with planned time.

6.2.1 Commercial projects

We carry out Post Project Appraisals on all commercial projects that are greater than £100k in value. The appraisal compares the actual performance of the project against those targets set in the original request for approval, for example rental income and rate of return, and will allow us to monitor the number of projects and percent of projects that meet their objectives.

6.2.2 Engineering projects

We will continue to appraise each of our engineering projects to ensure it achieves the planned targets for cost, timeliness, quality and scope. Appraisals will continue to be reviewed by local management teams to allow the sharing of best practice and the identification of improvements to business processes.

6.3 Procurement savings

We plan to deliver achieve procurement savings by:

- Enhancing our national partnering contracts which enable the cost delivery of works to improve customer services and facilities and provide ongoing cost and efficiency savings. (£1m p.a.)
- Extending the use of purchasing cards for ordering small value goods to produce over £750k efficiency savings per annum.
- Introducing national purchasing arrangements and negotiating down the price of commonly used commodities. (£1.45m)

In 2001/02 total procurement savings are planned to be £3.2m. In each subsequent year additional savings of £1m are planned.

These efficiency and procurement savings allow us to carry out work which we could not otherwise afford. Our targets set in this plan for safety backlog, statutory arrears and waterway standards are all based upon the assumption that the above savings will be achieved.

7 People

Our employees are critical to the success of the business and it is important that we have appropriate procedures in place to recruit and retain good people and ensure they are motivated and trained to the required level. Our approach to people management and the development of personnel practices is set out in our People Strategy. In addition we are an equal opportunities employer and take every possible step to ensure individuals are treated equally and justly. Section 7.1 shows the progress we made in 2000/01 and section 7.3 to 7.6 our plans.

7.1 Progress in 2000/01

Key initiatives 2000-1	Progress
To train 300 British Waterways staff plus people from external organisations at Hatton on practical one and two day courses.	300 people trained at our Heritage training centre at Hatton.
To publish a monthly newsletter, update our intranet service, survey employees and improve internal communications.	Monthly newsletter produced and internal procedures all published on the Intranet, the employee survey indicated that improved employee communication would support our objectives for efficiency improvements and reduced absenteeism as a result a new format for team talks was introduced.
To continue to develop our partnership with trade unions.	Progress made with Trade Unions on improving communications, empowerment and controlling absenteeism.
To continue to develop our contribution pay process to ensure alignment with business needs.	Improved guidance prepared leading to improved clarification of competency rating and performance measures to ensure appropriate rewards for excellent performance.
To continue our commitment to develop staff and their skills to support the growth of the business.	Training programmes in customer care, health and safety and multi-skilling provided to ensure competency levels remain at the required standard.
To advertise all vacancies internally and also externally where a satisfactory internal candidate cannot be found or there is a need to test the market. All appointments will be based on merit.	53 people promoted internally out of 404 permanent and temporary appointments.
Put in place an Occupational Health Policy to support managers and employees with health related issues	Initiatives actioned to achieve reductions in sickness absence levels including increased VER and improved health monitoring.
Actively manage succession planning for	Introduced a structured approach to

key posts.	the identification of development needs and potential for senior positions.
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Table 7.1

7.2 People cost and numbers

£m	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget	Plan			
Payroll (Base)	33.9	37.4	41.9	43.8	45.3	46.7	47.9
Overtime	2.0	2.2	1.9	2.0	2.0	2.1	2.2
National Insurance	2.8	3.1	3.4	3.5	3.6	3.7	3.9
Pension	4.6	5.0	5.7	5.9	6.1	6.4	6.6
Total	43.3	47.7	52.9	55.2	57.0	58.9	60.6

Table 7.2

Number of people

	99/00	00/01	01/02	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget	Plan			
Waterway operatives	858	902	943	973	977	985	985
Waterway engineering	73	82	79	78	78	78	78
Craft and mooring	26	32	32	34	34	34	34
Waterway Marketing/Events	28	29	33	34	34	34	34
Other Navigation/Safety	37	49	59	59	59	59	59
Administration	274	284	311	313	314	322	322
Technical	88	122	139	136	137	137	137
Professional	342	370	388	380	386	392	395
Management	134	142	152	152	152	152	152
Total	1,860	2,012	2,136	2,159	2,171	2,193	2,196

Table 7.3

Technical staff includes employees with technical expertise but no professional qualification e.g. IT Technical Support, Lands Assistant and Professional staff include qualified Engineers, Surveyors, Accountants and Lawyers.

The number of people employed is planned to increase significantly in 2001/02. These people are required for the expanding nature of work undertaken by British Waterways. This includes:

- Operation of the Lowlands, Huddersfield and Rochdale canal post restoration, together with
- The Standedge, Falkirk and Anderton visitor centres.

- Project engineers to design and oversee the increased volume of work to be carried out in order to eliminate the statutory arrears.
- Administration to support ongoing business growth.

Our expanding operations cannot be carried out solely by our existing people and it is vital that new skills and expertise are acquired where necessary to support progress in our expanding business areas.

7.3 Recruitment

Table 7.3 indicates an additional 124 new posts will need to be recruited in 2001/02. Together with the replacement of leavers we expect to recruit over 300 new people in 2001/02.

7.4 Succession planning and management development

Our Performance and Development Review process requires managers to identify development needs for their people. A structured approach to identify individuals with potential to succeed in the key roles of waterway manager and to assess the development needs has been introduced this year.

During 2001/2 this approach will be extended to other key roles.

7.5 Training

Our training programme for 2001/02 will focus on the following key areas:

- **Induction training** - our policy is for all new employees to attend an induction training course.
- **Customer care** - we have developed a programme with the English Tourist Board and in 2001/02 plan to train 400 employees as part of a 3 year customer care training programme.
- **Health and safety** - during 2000/01 we re-assessed health and safety requirements and following this a comprehensive two year programme of competency assessment and training is being actioned.

We will continue to train people using internal resources and our Heritage skills centre at Hatton. Post 2001 training developments will also focus on the training of contractors employees to help ensure that where we contract work out that work is undertaken using appropriate methods and materials.

7.6 Voluntary Early Retirements

In 2000/01 £700k was allocated towards voluntary early retirements which allowed 22 people to retire before the normal retirement age. In 2001/02 £200k has been provided to support early retirements. We plan to slowly

shift the age profile of our people to achieve a more balanced profile. This is particularly important for canal bank employees where a high proportion of older employees are involved in work of a physical nature. The voluntary early retirement scheme will be used to help employees experiencing difficulty to retire early so that greater efficiency can be achieved in the business.

The following table indicates how the age profile has shifted since 1994. The VER scheme will continue to help the move towards a younger workforce.

Age Category	1994	2000
<30	16%	19%
31-40	28%	30%
41-50	27%	27%
51-60	23%	20%
60+	6%	4%
Total	100%	100%

Table 7.4

7.7 Partnerships with Trade Unions

We will continue to consult regularly with trade unions on personnel issues. In 2001/02 we plan specifically to take forward the progress we have made with our Occupational Health Policy. The objective of this is to reduce employee absenteeism and therefore improve the efficiency of our workforce but also to improve the general well being of our people. In partnership with the trade unions we plan to put a bid to the DTI to help fund this campaign.

7.8 Key Performance Measures

The following table shows the key performance measures we will use to monitor improvements along with targets for improvement.

	99/00	00/01	01/2	02/03	03/04	04/05	05/06
	Actual	F'cast	Budget		Plan		
Days training per employee	4	4	4	4	4	4	4
Days absence per employee	9.3	10	8	7	7	6	6
Employee turnover (excluding retirements)	10%	13%	12%	12%	12%	12%	12%
% employees at expected competency level in all key competencies	75%	80%	85%	90%	90%	90%	90%
% staff satisfied - Very working for BW	40%	-	50%	-	60%	-	60%

- Fairly	52%	-	42%	-	35%	-	35%
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Table 7.5

8 Capital Expenditure

We are now able to bid separately for capital grant from the Government and plan to bid for £3m per annum of operational capital in the Governments next spending review.

8.1 Operational Capital

The following table summarises our operational capital expenditure plan for 2001/02:

	£m
Specific Items	
Improved communications network	0.3
Upgrade hardware platform	0.2
	0.5
General Items	
Operational Property	0.4
Vehicles & Plant	1.8
Routine PC and printer replacement	0.9
Office furniture	0.2
Total	3.8

Table 8.1

Over the last few years we have been unable to replace large items of plant and machinery due to the more important need to target resources towards the safety backlog while at the same time maintaining customer standards. The effect of this is that some of our vehicles and plant are becoming life expired. We have already extended much of our plants life through refurbishment however this is becoming increasingly uneconomical.

We have also not had the funds to ensure that our IT systems kept pace with modern advancements. We are investing capital of £0.5m in 2001/02 in our hardware platform and communications network and at the same time are fundamentally reviewing our software systems, some of which will soon become obsolete and not supported by suppliers. We will therefore need to invest significantly more than we have done to ensure IT systems are able to support the business.

In 2001/02 we will invest in improving on-line customer facilities for licence payment and e-procurement. This will be funded by a £300k joint invest to save scheme with the EA.

8.2 Commercial Investments

Our investments have to provide a secure income stream to pay for the upkeep of waterways as well as creating wider benefits such as amenity, customer services and regeneration.

The following factors are taken into account to determine where money will be invested:

- Overall return
- Revenue generation - it is important that we balance revenue income with capital growth, even where capital growth provides a better overall return.
- Other business needs (for example moorings and water grid)
- The wider benefits such as amenity, access and regeneration.

Over the plan we will continue to invest capital in a range of investments in particular to support P4, water grid and telecoms joint ventures. We will also invest to build up and develop moorings.

8.3 Taxation

Our status as a public corporation does not exempt us from normal tax rules. It is becoming more difficult for us to shield capital gains and as our property portfolio increases in value and we increase the volume of property traded it is likely that our taxable capital gains will increase.

Wherever possible we will structure deals so that they are as tax efficient as possible to minimise the amount of tax payable.

Government appear reluctant to change our tax status and we intend to re-open the debate regarding gift aid, which would enable us to shield more of our capital gains tax liability.

9 Risks and Opportunities

The targets set out in this plan are challenging and will significantly stretch the talents and skills of our people. The risks associated with achieving the plan relate to ensuring our earned income increases so that we then have the funds available to maintain the safety of the waterways and implement the planned customer service improvements.

9.1 Water Grid

The increased income planned from the implementation of the water grid will enable us to bring the target for the elimination of the statutory arrears forward to 2015 from the current baseline of 2021.

This project is dependent upon the receipt of government grant and investment in the waterway network of £10m per annum over the next three years.

Other risks associated with the success of the water grid include:

- Finding and agreeing suitable terms with partners
- Competition from the water industry
- The ability to obtain licences from the Environment Agency.

9.2 Government Grant

This plan has been prepared based upon Government Funding continuing at the same level in real terms. We have agreed grant levels with the DETR up to 2003/04 and have assumed that after this grant will be increased for inflation. Funding in Scotland is still to be agreed for 2002/03 onwards.

A general election is imminent and the outcome could effect Government funding priorities should a different government be elected.

9.3 Telecoms

Telecoms income is planned to increase by over 50% over this five year plan, which we believe is a realistic estimate. The actual income will depend upon the number of mast sites and so there is potential for this to be significantly more. Likewise there are risks the income could be less these include:

- Competition from other land owners
- A slow down in the growth of the telecoms market and in particular the roll-out of third generation mobile phone technology. Current indications are that this will be the case and this has been factored into the plan.

- The perceived health and safety risk of mobile phone mast and the conflict this may present with our environmental objectives.

9.4 Attractions

This is a new business area and while we are taking all reasonable steps to ensure they are successful they are dependent upon given numbers of visitors. Should visitor numbers be lower than expected these attractions will not generate the planned income. We will progress attractions in a steady measured way to minimise risks.

9.5 People

As stated in section 7 having the right people in place to deliver this plan is very important. With the lowest unemployment rates for many years it is becoming increasingly difficult in certain areas of the country to recruit and retain the right people.

9.6 Foot and Mouth Disease

The plan has been prepared on the basis that the problems caused by foot and mouth disease will be quickly resolved or managed so not to have a significant impact.

9.7 Opportunities

Whilst this plan is based upon our best estimates there may be further opportunities that arise which allow us to exceed our plans. These could include:

- A greater appetite by the RDAs and other funding bodies for waterway related restorations than expected allowing us to progress restoration schemes at a faster pace
- The potential settlement of the legal case with Severn Trent water now allows us to start negotiating terms for water discharges into our waterways
- The re-negotiation of utility omnibus agreements with gas and electricity companies may provide us with additional earned income.

Due to the uncertainty in the nature of these opportunities they have not been included in the financial plan.

Appendix 1 - British Waterways Income

INCOME (£m)	Actual	F'cast	Budget	Plan				Strat Plan
	99/00	00/01	01/02	02/03	03/04	04/05	05/06	05/06
Operational Property	5.6	9.7	8.0	8.3	8.9	9.6	9.8	7.0
Investment Property	15.9	16.8	18.4	19.5	21.4	22.5	23.1	24.9
Property	21.5	26.5	26.4	27.8	30.3	32.1	32.9	31.9
Craft Licences	7.9	8.6	9.2	9.8	10.4	10.8	11.2	10.4
Mooring Permits	2.9	3.5	4.2	4.7	5.3	5.7	6.3	6.4
Leisure Rents	3.2	3.5	4.2	4.0	4.7	5.3	6.1	5.8
Angling	0.7	0.8	0.8	0.8	0.9	1.0	1.0	0.9
Attractions	0.2	0.9	1.6	3.7	3.6	3.7	3.8	6.7
Leisure	14.9	17.3	20.0	23.0	24.9	26.5	28.4	30.2
Water sales	3.3	4.6	4.3	3.9	7.9	8.0	9.2	5.6
Freight	1.0	1.2	1.7	1.9	1.9	1.9	2.0	1.9
Telecommunications	2.3	6.5	6.7	7.5	8.5	9.5	10.0	11.2
Other Income	3.6	5.3	4.5	4.7	5.4	4.0	4.2	4.1
Other Operating Income	10.2	17.6	17.2	18.0	23.7	23.4	25.4	22.8
Regeneration & Restoration	51.3	73.2	55.1	40.4	50.0	55.0	60.5	50.2
Maintenance Agreements	0.8	1.0	1.6	2.3	2.4	2.7	3.0	1.5
Third Party Funding	52.1	74.2	56.7	42.7	52.4	57.7	63.5	51.7
Trading Income	98.7	135.6	120.3	111.5	131.3	139.7	150.2	136.6
Grant	58.7	61.8	71.6	80.2	80.2	71.9	73.7	68.9
Total Income	157.4	197.4	191.9	191.7	211.5	211.6	223.9	205.5

Appendix 1 - British Waterways Expenditure

EXPENDITURE (£m)	Actual	F'cast	Budget	Plan			
	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Payroll	43.3	47.7	52.9	55.2	57.0	58.9	60.6
Staff Related Costs	7.0	8.1	7.0	7.2	7.3	7.5	7.6
Total Staff costs	50.3	55.8	59.9	62.4	64.3	66.4	68.2
Contract	76.2	109.3	97.8	93.9	111.9	109.6	119.4
Materials	5.7	5.8	5.1	5.2	5.2	5.3	5.4
Depreciation	3.7	3.7	4.1	4.1	4.2	4.3	4.4
Other Operational costs	4.0	4.2	3.9	4.1	4.4	4.5	4.6
Operational costs	89.6	123.0	110.9	107.3	125.7	123.7	133.8
Other costs	16.6	19.0	19.8	21.0	20.5	20.5	20.9
Interest Receivable	-1.7	-2.9	-1.4	-1.5	-1.5	-1.5	-1.5
Interest Payable	2.3	2.4	2.7	2.5	2.5	2.5	2.5
	0.6	-0.5	1.3	1.0	1.0	1.0	1.0
Total Expenditure	157.1	197.3	191.9	191.7	211.5	211.6	223.9
Net Surplus (Deficit)	0.3	0.1	0.0	0.0	0.0	0.0	0.0

Appendix 2 - England & Wales Income

INCOME (£m)	Actual	F'cast	Budget	Plan			
	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Operational Property	5.5	9.6	7.8	8.1	8.7	9.4	9.6
Investment Property	15.5	16.4	18.0	19.1	21.0	22.0	22.6
Property	21.0	26.0	25.8	27.2	29.7	31.4	32.2
Craft Licences	7.5	8.1	8.7	9.1	9.5	9.8	10.2
Mooring Permits	2.9	3.5	4.2	4.7	5.3	5.7	6.2
Leisure Rents	3.1	3.4	4.1	3.9	4.4	5.0	5.8
Angling	0.7	0.8	0.8	0.8	0.9	1.0	1.0
Attractions	0.2	0.9	1.6	2.1	2.1	2.3	2.4
Leisure	14.4	16.7	19.4	20.6	22.2	23.8	25.6
Water sales	3.1	4.5	4.1	3.7	7.7	7.7	8.7
Freight	0.9	1.1	1.6	1.8	1.8	1.8	1.9
Telecommunications	2.3	6.5	6.7	7.4	8.3	9.2	9.4
Other Income	3.5	5.2	4.5	4.7	5.4	4.0	4.2
Other Operating Income	9.8	17.3	16.9	17.6	23.1	22.7	24.2
Regeneration & Restoration	27.9	40.6	46.2	39.8	49.4	53.7	59.2
Maintenance Agreements	0.8	1.0	1.6	2.3	2.4	2.7	3.0
Third Party Funding	28.7	41.6	47.8	42.1	51.8	56.4	62.2
Trading Income	73.9	101.6	109.9	107.5	126.7	134.3	144.2
Grant	51.4	54.8	64.5	71.4	71.4	62.9	64.5
Total Income	125.3	156.4	174.4	178.9	198.3	197.2	208.7

Appendix 2 - England & Wales Expenditure

EXPENDITURE (£m)	Actual	F'cast	Budget	Plan			
	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Payroll	40.2	44.3	49.1	50.9	52.7	54.5	56.1
Staff Related Costs	6.5	7.5	6.4	6.7	6.8	7.0	7.1
Total Staff costs	46.7	51.8	55.5	57.6	59.5	61.5	63.2
Contract	51.3	72.6	87.6	89.7	108.2	105.2	115.0
Materials	5.4	5.5	4.9	4.9	4.9	5.0	5.1
Depreciation	3.5	3.4	3.8	3.8	3.9	3.9	4.0
Other Operational costs	2.9	3.6	3.6	3.5	3.8	3.8	3.9
Operational costs	63.1	85.1	99.9	101.9	120.7	117.9	128.0
Other costs	14.3	16.8	17.7	18.8	18.1	18.2	18.5
Interest Receivable	-1.7	-2.9	-1.4	-1.5	-1.5	-1.5	-1.5
Interest Payable	2.3	2.4	2.7	2.5	2.5	2.5	2.5
	0.6	-0.5	1.3	1.0	1.0	1.0	1.0
Total Expenditure	124.7	153.2	174.4	179.3	199.4	198.6	210.7
Net Surplus (Deficit)	0.6	3.2	0.0	-0.4	-1.1	-1.4	-2.0

Appendix 3 - Scotland Income

INCOME (£m)	Actual	F'cast	Budget	Plan			
	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Operational Property	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Investment Property	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Property	0.5	0.5	0.6	0.6	0.6	0.7	0.7
Craft Licences	0.4	0.5	0.5	0.7	0.9	1.0	1.0
Mooring Permits	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Leisure Rents	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Angling	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Attractions	0.0	0.0	0.0	1.6	1.5	1.4	1.4
Leisure	0.5	0.6	0.6	2.4	2.7	2.7	2.8
Water sales	0.2	0.1	0.2	0.2	0.2	0.3	0.5
Freight	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Telecommunications	0.0	0.0	0.0	0.1	0.2	0.3	0.6
Other Income	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Other Operating Income	0.4	0.3	0.3	0.4	0.5	0.7	1.2
Regeneration & Restoration	23.4	32.6	8.9	0.6	0.6	1.3	1.3
Maintenance Agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Third Party Funding	23.4	32.6	8.9	0.6	0.6	1.3	1.3
Trading Income	24.8	34.0	10.4	4.0	4.4	5.4	6.0
Grant	7.3	7.0	7.1	8.8	8.8	9.0	9.2
Total Income	32.1	41.0	17.5	12.8	13.2	14.4	15.2

Appendix 3 - Scotland Expenditure

EXPENDITURE (£m)	Actual	F'cast	Budget	Plan			
	99/00	00/01	01/02	02/03	03/04	04/05	05/06
Payroll	3.1	3.4	3.8	4.3	4.3	4.4	4.5
Staff Related Costs	0.5	0.6	0.6	0.5	0.5	0.5	0.5
Total Staff costs	3.6	4.0	4.4	4.8	4.8	4.9	5.0
Contract	24.9	36.7	10.2	4.2	3.7	4.4	4.4
Materials	0.3	0.3	0.2	0.3	0.3	0.3	0.3
Depreciation	0.2	0.3	0.3	0.3	0.3	0.4	0.4
Other Operational costs	1.1	0.6	0.3	0.6	0.6	0.7	0.7
Operational costs	26.5	37.9	11.0	5.4	4.9	5.8	5.8
Other costs	2.3	2.2	2.1	2.2	2.4	2.3	2.4
Interest Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	32.4	44.1	17.5	12.4	12.1	13.0	13.2
Net Surplus (Deficit)	-0.3	-3.1	0.0	0.4	1.1	1.4	2.0
Cumulative net result (from devolution)		-3.1	-3.1	-2.7	-1.6	-0.2	1.8

Appendix 4 - England & Wales key performance targets

		99/00	00/01	00/01	01/02	02/03	03/04	04/05	05/06
		Actual	Bud	F'cast	Bud		Plan		
Customer Service									
% of waterway at or better	Nav	93%	93%	93%	95%	-	-	-	99%
than minimum standard	Chan	69%	80%	79%	83%	-	-	-	95%
	Env	90%	91%	90%	91%	-	-	-	94%
	Tpath	92%	96%	97%	97%	-	-	-	99%
Navigation Availability Index		-	95	95	85	85	90	90	90
Maintenance Arrears									
Safety Backlog (£m)		69.0	54.9	55.3	38.9	24.0	10.0		
Statutory Arrears (baseline) (£m)		161.0	160.7	169.2	176.0	171.9	166.3	151.0	132.3
Maximising Value									
Craft licence evasion rate		4.2%	3.5%	3.5%	3.0%	2.5%	2.2%	2.0%	2.0%
Earned income p.a. (£m)		73.9	103.0	101.6	109.9	107.5	126.7	134.3	144.2

Appendix 4 - Scotland key performance targets

		99/00	00/01	00/01	01/02	02/03	03/04	04/05	05/06
		Actual	Bud	F'cast	Bud	Plan			
Customer Service									
% of waterway at or better	Nav	92%	93%	93%	93%	-	-	-	100%
than minimum standard	Chan	30%	33%	34%	59%	-	-	-	91%
	Env	90%	91%	92%	92%	-	-	-	99%
	Tpath	92%	96%	97%	97%	-	-	-	97%
Navigation Availability Index		-	95	95	85	85	90	90	95
Maintenance Arrears									
Safety Backlog (£m)		2.1	1.6	1.6	1.0	0.5	0	0	0
Statutory Arrears (baseline) (£m)		4.9	5.1	5.1	5.0	3.9	2.9	1.7	1.2
Maximising Value									
Craft licence evasion rate		6.4%	5.0%	4.5%	4.0%	3.5%	3.1%	2.7%	2.5%
Earned income p.a. (£m)		24.8	32.6	34.0	10.4	4.0	4.4	5.4	6.0

Appendix 5 - Backlog and Statutory Arrears Expenditure

Structure Type	Spend in 2001/02 (£m)		
	Statutory Arrears	Safety Backlog	Total
Aqueducts	0.4	1.5	1.9
Accommodation Bridges	0.5	1.9	2.4
Public Road Bridges	0.1	2.0	2.1
Towpath Bridges	-	0.3	0.3
Culvert	0.1	1.5	1.6
Embankments	0.1	2.6	2.7
Locks	1.3	3.1	4.4
Stop/Safety Gates	0.1	0.4	0.5
Waste weirs	0.1	0.4	0.5
River weirs	0.1	0.8	0.9
Bank Protection	0.3	1.1	1.4
Feeders to canal	0.1	-	0.1
Cuttings	-	0.5	0.5
Dredging	3.6	-	3.6
Other	0.3	0.9	1.2
Total	7.1	17.0	24.1